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SIPDIS

DHAHRAN SENDS,
STATE FOR NEA/ARP

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SUBJECT: SAUDIZATION REQUIREMENTS HAMPER BUSINESS

Classified By: Dhahran CG Joseph Kenny for reasons 1.4 (b), (d)

11. (S) Summary: In a meeting with Dhahran Consul General Kenny, Abdulrahman Ali al-Turki, a leading business person in the Eastern Province (EP) of Saudi Arabia, candidly spoke out against a government quota system that requires a percentage of a company's workforce to consist of Saudi nationals. He also severely criticized the segregation of women in the workforce as hampering productivity and efficiency. Contradicting several others of the region's business leaders, al-Turki shared an unusually pessimistic forecast for the Saudi economy in the short-term. End summary.

Saudis Considered Not Desirable As Employees

12. (S) Dhahran Consul General (CG) Kenny made a courtesy call on Abdulrahman Ali al-Turki, an important business person in the Eastern Province. The CG was accompanied by EconOff and the LES Political Specialist. Al-Turki is the Chairman and CEO of the ATCO Group, an influential and significant consortium of companies involved in construction, port management, marine services, shipping, car dealerships, household appliances and several other industries. In a very frank conversation, al-Turki criticized the Saudi Arabian Government's (SAG) policies impacting the business environment.

13. (S) Al-Turki told the CG that the religious and Arabic language dominance of Saudi primary and secondary education ill-prepare Saudis to become productive members of the private sector workforce. He also complained about the lack of a strong Saudi work ethic. His personal experiences with Saudi employees as a major employer have largely been negative. He laughed when describing how some Saudi employees complained about the howling winds and rough waves they found unpleasant and annoying on a drilling rig they were working on in the Gulf. Recently, al-Turki opened several restaurants in the EP, but said he was unable to recruit a single Saudi employee that would be willing to work a full week. He said that because of experiences like these, he simply prefers to hire foreign workers.

14. (S) In al-Turki's view, it is the SAG's responsibility, not the private sector's, to train and educate the Saudi population with real world skills. He even refuted the utility of the King Abdullah scholarship program which provides full scholarships and stipends for Saudi students to study in places like the U.S., Europe and Australia. He commented that even when Saudis return after completing their studies in the U.S. with virtually no work experience, they expect to immediately become managers and have subordinates reporting to them. He believes the problem begins before college and is a result of poor primary and secondary education. At one point during the conversation, al-Turki said that the SAG "is dumping problems of their own making

onto the private sector to fix." Note: A 2005 labor law requires firms to employ 75% or more Saudis, but few firms have been able to come close to meeting this requirement. Post estimates that Saudis constitute only 10% of the domestic labor market. End note.

Female Saudi Employees Increase Productivity

15. (S) When the conversation shifted toward women in the workforce, al-Turki exclaimed, "I love women employees; they make the men work harder!" He explained that he had opened offices where women and men worked side-by-side and the women's stronger work ethic inspired a competitive environment which in turn raised the men's productivity. However, he said that the Commission for the Promotion of Virtue and Prevention of Vice, colloquially known as the "mutawwa'in" or religious police, has intervened and forced the company to physically separate the genders. The efficiency gained by having both genders working together, as well as increased competitiveness between the genders, was lost and resulted in reduced productivity and profitability, in addition to the added expense of having to maintain two identical workspaces. Although the Governor of the EP, Prince Mohammed bin Fahd Al Saud, has made strides to reduce the mutawwa'in presence in the province, al-Turki says that they are "stronger" than the prince.

EP Economy is Not on Solid Ground

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16. (S) Al-Turki demonstrated a degree of skepticism on the ability for the EP economy to weather the current global financial crisis. He said that the economy is "not solid" in the EP and sees the tight global credit markets beginning to impact liquidity in the domestic lending market. As a major share owner of Sipchem, a large Saudi chemical manufacturer, he noted that although the company will continue with plans to double the number of factories operating in Saudi (from three to six), they are not looking into any new projects for the foreseeable future. He said that before the current economic turmoil, Sipchem was pursuing a much more aggressive growth strategy. (Comment: Al-Turki is the first among Consulate Dhahran's business contacts to share such a sober view of the region's economic outlook. End comment.) However, al-Turki did say that the SAG's previous experience in dealing with economic crises and their guarantee of bank deposits are promising steps that may negate some of the negative impact on the Saudi economy.

17. (S) Comment: Al-Turki's anecdote related to imposed Saudization requirements reflects longtime frustration in the Saudi EP business community over the difficulty in hiring skilled, hard-working Saudi employees. Other Consulate Dhahran contacts have voiced similar concerns, citing shortfalls in quality managers and engineers in the Kingdom. One important Saudi business person said that he prefers working with Western companies to be able to utilize their effective managers in the joint venture. Though most contacts are not as unabashed in their criticism of SAG policies as al-Turki, the vast majority agree that it should be the government's responsibility to improve the Saudi workforce and not individual businessmen. Despite the requirements "on the books" to Saudi-ize most sectors of the workforce, the prominent merchant families do not see this as a viable option from a business standpoint. Instead, they pay lip service to it and go about their business as in the past, employing foreign workers in all aspects of their operations. End comment.

(Approved: JKENNY)
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